

HOUSE BILL REPORT

HB 3010

As Reported by House Committee On:
Appropriations

Title: An act relating to creating the select committee on pension policy.

Brief Description: Creating the select committee on pension policy.

Sponsors: Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan.

Brief History:

Committee Activity:

Appropriations: 3/2/02, 3/4/02 [DPS].

Brief Summary of Substitute Bill

- Creates the Select Committee on Pension Policy, comprising legislators, active and retired members, and employers of members of the state retirement systems.
- Eliminates the Joint Committee on Pension Policy.
- Authorizes the Pension Funding Council to appoint or remove the State Actuary.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 20 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Boldt, Buck, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Mastin, McIntire, Pearson, Ruderman, Schual-Berke, Talcott and Tokuda.

Minority Report: Do not pass. Signed by 5 members: Representatives Sehlin, Ranking Minority Member; Alexander, Clements, Lisk and Pflug.

Staff: Andrea Hardy (786-7349).

Background:

Prior to 1976 the major state retirement systems were under the oversight of boards of trustees that had such functions as the investment of the retirement funds, hiring the executive director, contracting for actuarial services, and proposing legislation to improve benefits for members and retirees.

In 1976 following a period of rapid increases in pension benefits and costs, the Legislature created the Department of Retirement Systems (DRS), with a director appointed by the Governor, to assume most of the oversight duties of the various retirement boards. The Office of the State Actuary (OSA) was also created in 1976 to provide all retirement system actuarial services for both DRS and the Legislature, including the studies used for setting contribution rates and determining the cost of proposed legislation. The OSA was established as an office in the legislative branch.

In 1981 the State Investment Board (SIB) was created to manage the investment of the assets of the state retirement systems. The SIB has nine voting members and four non-voting members who are investment professionals.

In 1987 the Joint Committee on Pension Policy (JCPP) was created to study pension benefit and funding policies and issues, and to appoint or remove the state actuary by a two-thirds vote. The JCPP consists of eight members of the Senate and eight members of the House of Representatives, split evenly between the two largest caucuses of each body. The OSA provides staffing to the JCPP.

In 1995 the Employee Retirement Benefits Board (ERBB) was created. The ERBB oversees certain aspects of the Teachers' Retirement System Plan 3, Public Employees' Retirement System Plan 3, the School Employees' Retirement System Plan 3 and the state's deferred compensation program.

In 1998 the Pension Funding Council (PFC) was created to adopt the long-term economic assumptions and employer contribution rates for most of the state's retirement systems. The membership of the PFC consists of the chair and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee, and the directors of the Office of Financial Management (OFM) and DRS.

Summary of Substitute Bill:

The Select Committee on Pension Policy is created, consisting of the following: Eight members of the Legislature (four from each house and equally representative of both caucuses); four active members or representatives from organizations of active members of the state retirement systems; two rotating positions for retired members or representatives from organizations of retired members of the state retirement systems; and two employer representatives of members of the state retirement systems.

Legislative members of the select committee will be appointed by the President of the Senate for members of the Senate, and the Speaker of the House of Representatives for members of the house. All other members will be appointed by the Governor. Legislative members of the committee will be members of the House Appropriations Committee for those members of the House of Representatives, and members of the Senate Ways and Means Committee for those members of the Senate.

The JCPP is repealed, and its responsibilities are transferred to the Select Committee on Pension Policy. These responsibilities are studying pension issues for all state pension systems and recommending legislation to the Legislature.

The PFC may appoint or remove the state actuary. The OSA will provide staff and technical support to the select committee. Members of the select committee will be compensated for travel and mileage expenses by the OFM.

Funding language for the state actuary is altered so that it is consistent with current budgeting practice.

Substitute Bill Compared to Original Bill:

Members of the select committee which will be selected upon the effective date of the bill rather than in 2003. The substitute bill requires legislative members of the committee to be members of the House Appropriations Committee or the Senate Ways and Means Committee. Language is clarified to ensure that retiree representatives on the committee will rotate. Funding language for the state actuary is altered so that it is consistent with current budgeting practice. The study by the state actuary is eliminated

Appropriation: None.

Fiscal Note: Requested on March 1, 2002.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill has taken a great deal of work to bring to fruition, and the result is a very good bill. The stakeholder groups started working on this concept a long time ago. This bill moves toward sharing participation in the committee process, and is a real step forward. It represents a compromise, and gives members of the retirement systems a chance to give input. Washington is one of three states that do not allow retirees and active members to have input in the pension policy making process. This committee in no way takes away the authority of the Legislature. It simply gives members of the retirement systems a voice.

Testimony Against: None.

Testified: Pat Thompson, County and City Employees; Sherry Appleton, Amalgamated Transit Union Legislative Council; Bob Maier and Helen Carlstrom, Washington Education Association; Lynn McKinnon, Washington Public Employees Association; Dennis Eagle, Washington Federation of State Employees; and Doug Nelson, Public School Employees.